

Introduction

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Introduction

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The objective of this study is to provide a comprehensive understanding of the changes in Brazil that occurred from the last decades of the 20th century until after the 2014 presidential elections. In this period, Brazil succeeded in implementing a number of important reforms in various areas and emerged at the beginning of the 21st century as a constitutionally transformed nation. Brazil has been a consolidated political democracy since it shifted from military to civilian rule in the 1980s. The country achieved economic stabilization in the 1990s and subsequent high growth, reduced poverty and inequality, and increased its global presence in the 2000s. Some studies analyzing these remarkable economic, political, societal, and diplomatic reforms of the post-constitutional Brazil call it the “New Brazil” [Konta 2011]. Previous research by Roett [2010] and Fishlow [2011], both prominent scholars of Latin and Brazilian studies, can also be cited as representative examples.

The main points of these previous studies, which recognize Brazil as a newly transformed nation at the beginning of the 21st century, can be summarized as follows. Brazil, with an awareness of the globalizing world and the goal of increasing its global presence, enhanced its autonomy and diversity on policies and utilizable resources by continuously developing institutions in different fields. The starting point for the New Brazil was the Fernando Henrique Cardoso administration (1995–2002), but its solidification was fully realized under the Luiz Inácio Lula da Silva administration (2003–2010) [Konta 2013].

However, in June 2013 in the New Brazil which had been evaluated positively until that point, protest demonstrations suddenly occurred and spread throughout the country with more than a million participants. Through the protests, the various underlying discontent of the people smoldering under the label of the “New Brazil,” such as the perceived wasteful spending of hosting the World Cup, the instability of public services, and distrust in politics, erupted in a single burst, and Brazil’s socio-political climate became confused. Furthermore, the economy of Brazil was showing signs of slowdown and stagnation since the Dilma Rousseff administration began in 2011. Although Rousseff ultimately won reelection in the October 2014

presidential election, the people were polarized since she won by the narrowest margin in Brazilian history. Brazil's subsequent national climate, characterized by social contradictions exposed through nationwide protests and prolonged economic stagnation, can be called the "Post-New Brazil".

This study develops an argument based on the perspective that Brazil recently transformed as a nation, focusing on the main points of previous studies. For this study, we pay attention to the continuity of Brazil's developmental process, as characterized by its political democratization, economic stabilization, reduction of social inequality, increased global presence, development of institutions, and its direction towards the globalized world. Each chapter will analyze and examine Brazil's changes in different areas: politics, economy, business, society, and diplomacy, in that order. Each chapter considers the newness of recent Brazil by focusing on a turning point or period in which the examined area changed. The final chapter will discuss the characteristics of Brazil's changes from the last decades of the 20th century until the 2014 presidential election based on new developments within each area presented in the chapters.

This introductory chapter, provides an outline of the recent trajectory of Brazil. The first era of this trajectory is the emergence of the New Brazil, the second is the protest demonstrations that can be considered the turning point of the New Brazil, and the last is the Post-New Brazil, characterized by the 2014 presidential election and the beginning of the new administration in 2015. An overview of each chapter is provided below, describing the changes in Brazil from the last decades of the 20th century until after the presidential election in 2014 by summarizing the turning points discussed. In doing so, some of the main points of previous studies on the "New Brazil," which constitute the view that Brazil emerged at the beginning of the 21st century as a newly transformed nation, after a continuing process of institutional developments in different areas with an awareness of the globalizing world is taken into consideration.

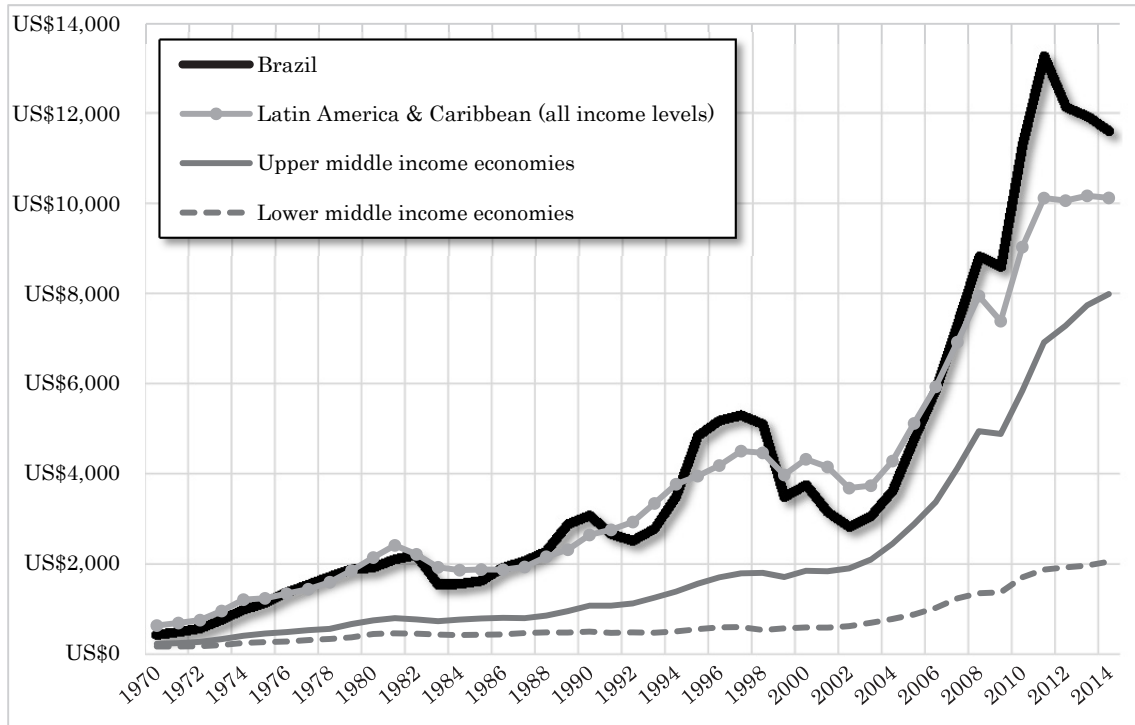
1. Emergence of the New Brazil

President Lula's and the leftist political Workers' Party (PT) assumed power in 2003 after the developments in Brazil from last two decades of the 20th century—the 1980s, when the foundation for political democratization was established by the transition from military to civilian rule, and the 1990s, when the foundation for present economic institutions was initially developed by the Real Plan in 1994 that ended Brazil's hyperinflation.

The Lula administration, placing emphasis on social development, implemented social policies such as *Bolsa Família* (described mainly in Chapter 4), on a large scale as the world economy improved. This improvement was evidenced by the rapid economic growth in China, triggering a rise in the prices of commodities that were Brazil's main exports, causing China to become Brazil's largest trading partner. For these reasons, the "New Middle Class" (described mainly in Chapter 2) was formed as many moved up from poorer classes, and the socio-economic situation of the people of Brazil improved. With this development, Brazil raised its profile in the world, settling its debts with the International Monetary Fund (IMF) in 2005, declaring oil self-sufficiency in 2006, and registering high economic growth of 7.6% GDP in 2010. The presence of Brazil in international diplomatic relations also increased as a result of President Lula's charisma and negotiation skills.

In 2011, Dilma Rousseff, Lula's PT successor, began her administration as Brazil's first female president. During the Rousseff administration, the economy slowed down due in part to the falling world economy and the economic policies that were intended for economic crisis prevention and recovery, but viewed as protectionist, caused fiscal problems and reduced credibility. Against this backdrop, protest demonstrations suddenly spread around the country in 2013 and damaged Brazil's image.

The recent trajectory of Brazil can be seen in its changing GDP per capita [Figure]. In the 1980s, Brazil's GDP per capita decreased as the economy stagnated during Latin America's "Lost Decade." Then the economic situation showed uncertainty, rising and falling influenced by the stop-go policies until the middle of the 1990s. Then it increased sharply because of the policy of pegging the Brazilian real to the US dollar until 1999, but when the exchange rate was allowed to float, it decreased again to the level near the upper middle income countries at the turn of century when the economy became vulnerable during the Cardoso administration. Finally, while GDP per capita increased globally, Brazil's increased more than other countries and in 2011 reached US\$13,279 (current value). This remarkable change attracted attention and became a characteristic factor of the New Brazil. Recently, this upward trend has stopped, and the GDP per capita of Brazil dipped and remains at a standstill. This possible new stage of the economic trajectory of Brazil may indicate the Post-New Brazil.

Figure. Change of GDP per capita (1970-2014)

Source: Elaborated by the author based on the World Bank Data Bank (<http://databank.worldbank.org/data/>).

Note: The unit is current US\$. Upper-middle-income economies are those in which 2013 Gross National Income per capita was between \$4,126 and \$12,735, and Lower-middle-income economies are those in which it was between \$1,046 and \$4,125.

2. Protests and Demonstrations

Under the Rousseff administration, the end of the New Brazil era was gradually becoming obvious by the economic slowdown and even more so with the sudden occurrence of nationwide protest demonstrations of over a million participants in June 2013. President Rousseff's scheduled visit to Japan in June was unexpectedly canceled at the last minute, since almost nobody could predict the outcome of the protests and demonstrations.

The incident that set the protests into motion was a fare hike for the public transportation in the city of São Paulo. This protest began as a small-scale demonstration comprising some social movements and a few economically poor participants, who were impacted most by the fare hike and already affected by the higher prices. However, as the government increased pressure to disperse protesters, news began to circulate both domestically and globally largely through Internet activity. As a result, domestic and international criticism that the Brazilian government was

abusing human rights increased, drawing participation from university students, other members of the younger generation, members of the middle class, and those who had not previously demonstrated¹. The protests increased in both intensity and geographical coverage. As the protests expanded around the country, rioting broke out in select areas, causing building and vehicle damage, looting from stores, and urban Brazilian society became chaotic and confused. These negative images were globally broadcast by the mass media, damaging Brazil's international image.

The protesters had many complaints, starting with the original cause of the protests—public transportation, the precarious situation in social areas such as health and education, the fact that despite these problems the government was placing a higher priority on the World Cup and spending much more of the people's tax money than estimated and still faced delays. These complaints culminated in a call for the people of the "Soccer Kingdom" to abandon the hosting of the World Cup. The demonstrators' other demands were diverse, including opposition to bills proposed by the government to increase its own control and power, protests against anti-LGBT discrimination, and calls for increased indigenous rights.

It was the first time in 20 years that demonstrations spread to a national scale, since the protests against corruption of President Fernando Collor in 1992. It can be stated that an underlying cause of the 2013 demonstrations was the people's distrust of politics, similar to the 1992 demonstrations. However, complaints of the individuals relating to their daily lives were included, such as high stress caused by daily transportation in Brazil with over 80% of the people living in urban areas, and although inequality had been reduced, is still widespread in the social sphere. This was the first instance in Brazil that minor complaints became factors for a movement that expanded into a macro national level. Social media and Internet users in Brazil played an important role in broadcasting the small complaints and requests to a larger group of people. In this way, the 2013 protests were similar to those of the Arab Spring and anti-government demonstrations in Turkey. However, Brazil's protests aimed neither to topple the regime nor to demand democratization, and rather occurred due to the increasing consciousness of the people for social justice and inequality. In this way, it can be said that the Brazil protests were more similar to the United States' 2011 Occupy

¹ According to a survey by the private research institution IBOPE [July 18th, 2013] conducted from 15 to 20 of June in 2013, 63% of the participants were 14–29 years old, 49% were graduated from high schools or studying in universities and 43% were graduated from universities, 49% were middle class and up (monthly household income is more than 5 minimum salaries), and 46% had no previous experience with demonstrations.

Wall Street movement.

The local governments faced with the expansion of the protests, withdrew the fare hikes, and some municipalities implemented a free public transportation program intended for poor students. The federal government also took measures, such as the prioritizing the funding of health and education by directing the royalties from the Pre-Salt offshore oil complex, increasing investment in urban transportation infrastructure, and calling for deliberation and voting on long-suspended bills. President Rousseff also proposed a plebiscite on political reform to diminish the political distrust of the people, although this plebiscite has not yet been realized.

It can be recognized that these protest demonstrations spread around the country precisely because Brazil had transformed into the New Brazil and was facing a new stage. Among the participants, in addition to the poor, there were younger, higher educated, those new to protesting, the lower-middle class recently became the New Middle Class, and those who were frequent participants in social movements. This may mean that the New Brazil, even though it had seen remarkable development in recent years, is still a country with many problems rather than a fully developed nation. As viewed by both the younger generation that possess a firm consciousness of social justice but no firsthand knowledge of the previous Brazil, and by the expanded new middle class, who recently acquired increased life needs due to their socio-economic ascension, but are also afraid of descending back into poverty again with the recent economic slowdown. In this sense, the 2013 protest demonstrations against the recent developments of Brazil, in which the various latent frustrations of the people were vented can be considered as one of the turning points for the Post-New Brazil.

3. A Restart in the Post-New Brazil Era

The incumbent President Rousseff was reelected in Brazil's October 2014 presidential elections. However, with 41.6% of the votes, Rousseff did not have enough votes to be reelected outright in the first round. This may possibly be due to the unfavorable circumstances surrounding the election such as a sluggish economy, the unexpected emergence of a powerful opposition candidate in Marina Silva who replaced Rousseff's former opponent after he died in an airplane accident², and the

² The candidate who passed away was Eduardo Campos of the Brazilian Socialist Party (PSB). The accident happened when Campos was traveling by airplane while campaigning in August 13th, 2014.

anti-government atmosphere related to the chaotic 2013 protests that increased in intensity before the World Cup in June. Rousseff finally achieved victory in the second-round runoff voting against Aécio Neves of the Brazilian Social Democracy Party (PSDB)—the same party as former president Cardoso—by the narrowest margin (3.2% points) in Brazil's history.

The election is covered in detail in Chapter 1, but there are some specific reasons for this result. The first is the advantage of an incumbent president. However, another possibly even more important reason is the organizational power of the PT together with the other ruling coalition parties and social groups. They are the Brazilian Democratic Movement Party (PMDB), which has many members in Congress, various labor unions related to PT (mainly CUT, Brazil's largest labor union), social movements that comprise many people of the popular sectors, and some major companies wanting to prevent confusion caused by a change of government. Rousseff alone might not have been able to win in the election, because her popularity was not as high as her predecessor Lula from the same political party. But, it is possible that the strong organizational power of the PT could develop an election campaign effective enough to secure Rousseff's win [Kikuchi 2013].

The new and second Rousseff administration started in January of 2015. There is some uncertainty yet about the direction and predictions for the next four years (the length of one presidential term), as President Rousseff has only just formed her administration at the time of this paper's writing. However at this time, there are some elements considered both positive and negative for understanding the current situation of Brazil and some possible future direction that the second Rousseff administration may take.

Among the elements considered positive, the government's new economic team stands out. The team is headed by a new Minister of Finance, Joaquim Levy, who has career experience in both governmental and private financial institutions and is considered to be a more liberal, orthodox economist. The economic team headed by Levy has already implemented high-profile measures in the few days after the new administration was formed, such as the reduction of government expenditure by the President's Office, an increase in taxes, and the halting of financial allocation from the federal to local governments. The main purpose of these measures can be summarized as the reconstruction of public finance to increase the credibility of Brazil, which has been diminished during the last few years.

The reason President Rousseff chose Levy as her Minister of Finance may be

based on the fact that her victory in the election was by a narrow margin. Facing the reality and not yet being reelected, President Rousseff did in fact recognize the increasing criticism against her style of administration, mainly her economic decisions that might have been a cause of the recent sluggish conditions. However, the reconstruction of public finance initiated by the economic team shows how difficult a situation the Brazilian economy is facing these days.

An element considered negative is President Rousseff's apparent distancing of herself from the PT, whose strong organizational power was surely the main factor in her reelection. Many specialists and members of the mass media are indicating that relations are deteriorating between President Rousseff and the PT, including former President Lula, who chose Rousseff as his successor. This change occurred mainly since the end of 2014, when President Rousseff began forming her second administration by choosing personnel and distributing important posts to the ruling coalition parties. At that time when appointing positions, it is reported that President Rousseff gave little consideration to the advice from the PT and other involved members³. When Rousseff was reelected, a major complaint was that she needed to have more dialogue with those around her, but her selection of Cabinet members is an explicit example of her self-directed attitude and intent for the future. Rousseff came to the forefront as a very capable bureaucrat in President Lula's PT administration and was chosen as the PT candidate in presidential election as Lula's appointed successor. It is very possible for President Rousseff to lose important political support and control, if she cannot rely on the organizational power that secured her reelection.

The second Rousseff administration has started, but many clouds loom overhead in the Post-New Brazil era.

4. Overview of the Chapters

Here is the overview of the chapters of this study to describe recent changes in Brazil. The final chapter will discuss the perspective that Brazil has more recently moved from the era of the New Brazil to "Post-New Brazil".

Chapter 1 establishes two specific moments as turning points for Brazil's politics: the regime change in 1985 from a military to a civilian government and the enactment of the democratic constitution in 1988. These turning points and an

³ For examples, see issues of *O Estado de São Paulo* (one of the major local newspapers), December 27th, 28th, and 30th, 2014.

accumulation of institutional reforms, such as the democratic power regime, the electoral system, the legislature and the judiciary, are presented as being the basis of the political transformations that resulted in the New Brazil. Furthermore, it argues that there has been progress in the two triangles of power sharing (the executive-legislative-judicial branches and the central-state-municipal governments), and an expansion of political participation in which the people have become involved as citizens.

Chapter 2 introduces the economic policy triad that was established in 1999 (the floating exchange rate system, inflation targeting, and the goal of a fiscal surplus) as a turning point for the Brazilian economy after the Real Plan ended hyper-inflation in 1994. The economy was strengthened and became ready to exert its potential for growth by developing these institutions. The “Order and Progress” on the national flag, which had embodied the twin-engine of expanded commodity exports and domestic demand, is a sign of one of the most important recent developments in Brazil’s economy recently.

Chapter 3 focuses on the industrial policies implemented by the PT government which pose challenges for the period following the New Brazil. In the 1990’s, government policy moved from import substitution industrialization (ISI) to a neo-liberal regime. This process brought about a transformation of industry and companies that configured the New Brazil. However, after the global financial crisis in 2008, the industrial sector was confronted with market stagnation and the problem of a lack of competitiveness. The Lula and Rousseff administrations placed importance on industrial policies, in contrast to the previous administration, which had minimized the government’s role. The Greater Brazil Plan (PBM) gives more importance to counter-cyclical measures, not just traditional industrial policy in the strict sense, which aims at structural transformation. Although PBM was criticized in the presidential election, Japanese Foreign Direct Investment (FDI) has increased in the manufacturing sector. Industrial policies implemented during the PT government symbolize challenges and difficulties for the next stage of development, which is the Post-New Brazil.

Chapter 4 recognizes the 1988 Constitution, which pursued the universalization of social security for all the people, as a major turning point for the recent social change, and the main institutions and laws regarding education, health, pensions, and social assistance as turning points for specific areas. Since the 1990s in Brazil, the social security for those who had been socially excluded has been developed by universal institutions mixed with targeted policies, and inequality was further reduced at the beginning of the 21st century. The existence of a safety net for everyone is presented as

the principal recent development in Brazil's society.

Chapter 5 describes Brazilian foreign diplomacy, which had been strongly and aggressively globalized under Lula and had marked a turning point for the area. The importance of the Cardoso administration, however, is also emphasized, because it not only increased Brazil's participation and confidence in international society but also promoted Brazil's relations with Mercosur and Latin America. The main characteristics of the recent changes in Brazil's foreign diplomacy are its transformation into a global player, based on its diversified and worldwide network, and its aggressive attitude and tone on global issues.

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